



2009

## FAIR LABOR ASSOCIATION INDEPENDENT EXTERNAL MONITORING REPORT

**COMPANY:** adidas Group; Nike, Inc.; Under Armour, Inc.

**COUNTRY:** Singapore

**FACTORY CODE:** 530266119H

**MONITOR:** Kenan Institute Asia

**AUDIT DATE:** October 29 – 30, 2009

**PRODUCTS:** Shirts, Pants

**PROCESSES:** Cutting, Sewing, Ironing,  
Inspection, Packing

**NUMBER OF WORKERS:** 353



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### **Forced Labor: Personal Worker Identification and Other Documents**

F.15 Workers shall retain possession or control of their passports, identity papers, travel documents or any other personal legal documents. Employers shall not retain any such documents to restrict workers' access to them for any reason whatsoever, including in order to ensure that workers shall remain in employment in the factory. (S) Employers may obtain copies of original documents for record-keeping purposes.

#### **Noncompliance**

**Explanation:** Review of worker's file revealed that there were a number of migrant workers whose original passports were kept by management. However, there were signed letters of consent from the workers allowing the factory to retain their original passports for security purposes. The workers said that they felt safe and were willing to keep their passports in the factory. Management stated that workers are able to access their original passports at any time they wish. The workers' passports are kept in factory's safe box; if workers would like to get passports back, they have to go to HR to ask for them. Root cause of concern is that there is a lack of policy and procedure in implementing a system to manage and keep migrant workers' passports in the work place.

**Plan Of Action:** Passports have been returned to all migrant workers as of February 1, 2010. Workers are keeping their passports in the dormitory and each of them is provided with a lockable wardrobe to keep their belongings. If the passport is lost, the worker needs to bear all the expenses incurred for the reissuance of their passport. This has been communicated to the workers at the time their passports were returned. No procedure, however, has been established on the safe keeping of passports.

**Deadline Date:** 03/19/2010

<b>Action Taken:</b>	<u>Updated by adidas Group on December 10, 2010:</u> Completed. Per factory review of some selected workers' files, all workers' original documents are kept by worker. Factory has removed all workers' consent letters from personnel files regarding passport keeping since they are kept by workers. Management confirmed that the current practice is that all workers keep their own documents. Furthermore, factory has provided lockers in dormitory for workers to keep their documents in a safe location. Factory has revised its Recruitment Procedure in order to ensure workers' original documents are kept by workers themselves; meanwhile, factory management only keeps copy of passports.
	<u>Updated by adidas Group on September 22, 2010:</u> Ongoing. Per personnel file reviews and based on workers' interviews, all passports have been returned to all foreign workers. The only time the factory keeps or handles workers' passports is when they are applying for workers' work permits; passports are given back to the workers once the process is completed. However, for workers who joined the company in July 2010, their consent letters stated that passports were kept by management for safety purposes. In addition, no proper procedure/internal memo found in place regarding passport safe keeping procedures. Factory will remove all workers' consent letters since passports are not kept by management anymore. Factory will distribute the internal memo regarding safe keeping of passports in workers' language.
<b>Plan Complete:</b>	Yes
<b>Plan Complete Date:</b>	12/10/2010

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### **Forced Labor: Storage for Employee Documents**

F.16 Employers shall provide, at employee request, secure storage for employee documents. Such storage shall be freely accessible to workers. (P)

#### **Noncompliance**

**Explanation:** Review of workers' files revealed there were a number of migrant workers whose original passports were kept by management. However, there were signed letters of consent from the workers allowing factory to retain their original passports for security purposes. Workers informed us they felt safe doing this and were willing to keep their passports in factory. Management stated workers are able to access their original passports any time they wish. Workers' passports are kept in factory safe box; if they would like to get their passports back, they have to go to HR to ask for them. We are concerned that there is a lack of policy and procedure in implementing a system to manage and keep migrant workers' passports in the work place.

**Plan Of Action:** Passports have been returned to all migrant workers as of February 1, 2010. Workers are keeping their passports in the dormitory and each of them is provided with a locking wardrobe to keep their belongings. If the passport is lost, the worker needs to bear all the expenses incurred for the reissue of their passport. This has been communicated to the workers at the time their passports were returned. No procedure, however, has been established on the safe keeping of passports.

**Deadline Date:** 03/19/2010

**Action Taken:** Updated by adidas Group on December 10, 2010:  
Completed. Per factory review of some selected workers' files, all workers' original documents are kept by worker. Factory has removed all workers' consent letters from personnel files regarding passport keeping since they are kept by workers. Management confirmed that the current practice is that all workers keep their own documents. Furthermore, factory has provided lockers in dormitory for workers to keep their documents in a safe location. Factory has revised its Recruitment Procedure in order to ensure workers' original documents are kept by workers themselves; meanwhile, factory management only keeps copy of passports.

Updated by adidas Group on September 22, 2010:

Ongoing. Per personnel file reviews and based on workers' interviews, all passports have been returned to all foreign workers. The only time the factory keeps or handles workers' passports is when they are applying for workers' work permits; passports are given back to the workers once the process is completed. However, for workers who joined the company in July 2010, their consent letters stated that passports were kept by management for safety purposes. In addition, no proper procedure/internal memo found regarding passport safe keeping procedures. Factory will remove all workers' consent letters since passports are not kept by management anymore. Factory will distribute the internal memo regarding safe keeping of passports in workers' language.

**Plan** Yes  
**Complete:**

**Plan** 12/10/2010  
**Complete**  
**Date:**

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### **Harassment or Abuse: Discipline/Progressive Discipline**

H&A.2 Employers shall have a written system of progressive discipline (e.g., a system of maintaining discipline through the application of escalating disciplinary action moving, for instance, from verbal warnings to written warnings to suspension and finally to termination). Any exceptions to this system (e.g., immediate termination for gross misconduct, such as theft or assault) shall also be in writing and clearly communicated to workers. (P)

### **Noncompliance**

**Explanation:** The employee handbook including the disciplinary policy and procedures is not written in the languages of the migrant Indian employees employed, as it only is written in English and Chinese. Some migrant Indian workers do not fully understand English.

**Plan Of Action:** Employee handbook including disciplinary policy and procedures has been translated into Hindi to ensure that Indian workers are able to understand it. The factory management has communicated this information to the entire Indian worker population accordingly. The factory compliance team is responsible for communicating information to Indian workers on a regular basis. PC compliance team will verify the trainings provided.

**Deadline** 03/19/2010  
**Date:**

<b>Action Taken:</b>	<u>Updated by adidas Group on December 10, 2010:</u> Completed. Factory trained all Indian workers on September 24, 2010. They invited Indian agency to help conduct training in Hindi. Based on management information, workers actively raised questions. The training record was kept on file properly. Factory has revised its Recruitment Procedure in order to ensure that all migrant workers are provided with proper orientation on company rules and regulations, including the employee handbook.
	<u>Updated by adidas Group on September 22, 2010:</u> Ongoing. Factory has translated Employee Handbook into Hindi and conducted training to the workers in March 2010. However, it was found that the training was delivered by Compliance Executive and HR Manager, who can't speak in Hindi, without a translator. Therefore, the training was not effective, since there was no 2-way communication between management and workers; workers were not able to raise questions/inquiries due to the language barrier. Factory should invite their Hindi speaking agent to conduct training, accompany them, and ensure workers fully understand factory policy and procedures. Factory should ensure that all training records are maintained properly.
<b>Plan Complete:</b>	Yes
<b>Plan Complete Date:</b>	12/10/2010

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### Code Awareness:

GEN.2 Ensure that all Company factories as well as contractors and suppliers inform their employees about the workplace standards orally and through the posting of standards in a prominent place (in the local languages spoken by employees and managers) and undertake other efforts to educate employees about the standards on a regular basis.

### Noncompliance

**Explanation:** 1. Other than brand's Code of Conduct (CoC) posted in the factory in English and Chinese languages; it was not posted in Hindi. The migrant Indian workers were not aware of the CoC and were unable to demonstrate an understanding of the law and regulations as highlighted in the CoC elements during the interview.

2. Likewise, documents were not translated in local language of Indian migrant workers (e.g. Contract of Employment; Terms and Conditions of Employment; Employment Application; Memos; Safe Keeping of Passports; Notices; Policies and Procedures).

**Plan Of Action:** PCs will provide copy of CoC in Hindi. In addition, as per adidas Group standards, factory management must provide all workers verbal training on the adidas Group Workplace Standards and on factory policy and procedures in their native language. PC compliance teams to verify training on policies, procedures, and documentation to see its effectiveness during next follow up.

**Deadline Date:** 05/28/2010

**Action Taken:** Updated by adidas Group on December 10, 2010:  
Completed. Factory has translated the CoC into Hindi language. Factory management verbally communicated the CoC to all Indian workers through training conducted in September 2010. Training record is kept on file. Additionally, factory management hired a third-party translator (Indian agency) to translate and explain the terms and conditions of employment to all Indian workers at the time of hire. The terms and conditions of employment have been translated into Hindi and re-communicated to the Indian workers by compliance personnel again. Factory has revised its Recruitment Procedure in order to ensure that all migrant workers are provided with proper orientation on company rules and regulations, including all brands' CoCs.

Updated by adidas Group on September 22, 2010:  
Ongoing. It was observed that factory posted code of conduct on announcement board in canteen. However, no proper training/communication given to the workers. Factory said they have communicated to the supervisors, but could not guarantee whether it has been delivered to the workers properly and no record maintained. Factory should retrain all supervisors and workers on code of conduct and keep the record.



**Plan** Yes  
**Complete:**

**Plan** 12/10/2010  
**Complete**  
**Date:**

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### Health and Safety: Bodily Strain

H&S.20 Workstations, including seating and standing arrangements and reach required to obtain tools, shall be designed and set-up in such a manner as to minimize bodily strains. Employers shall train workers in proper lifting techniques and items such as belts shall be provided. (S)

#### Noncompliance

**Explanation:** From the production floor walkthrough it was observed that the chairs provided for seamstresses on the work floor do not have adjustments for height and back support. Thus, the ergonomic design needs were not well addressed.

**Plan Of Action:**

1. Health & Safety Team is currently seeking appropriate tools which can minimize body strain. Knowledge and training will be imparted to the workers.
2. In addition, as per factory communication, the Health & Safety team is in the midst of sourcing appropriate seats with back rests for seamstresses. They will replace existing chairs once the new ones are available.

**Deadline** 06/18/2010  
**Date:**

**Action Taken:** Updated by adidas Group on September 22, 2011:  
Completed. Factory has replaced all chairs with seats with back rests for all workers in January 2011. Factory has included back rest chairs as one of the items in the HSE inspections to be checked on a regular basis.

Updated by adidas Group on September 22, 2010:  
Ongoing. It was observed that no improvements have been made. According to the factory, they were still looking for the proper chairs (with back rests and adjustable). They would like to ensure that they buy adequate seats, since they will need to purchase 200 chairs. adidas SEA Team will send some examples for factory consideration.

**Plan** Yes  
**Complete:**

**Plan** 09/22/2011  
**Complete**  
**Date:**

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### **Hours of Work: General Compliance Hours of Work**

HOW.1 Employers shall comply with all local laws, regulations and procedures concerning hours of work, public holidays and leave. (S)

#### **Noncompliance**

**Explanation:** After reviewing attendance and payroll records, it was discovered that the regular working hours per day equaled 8.5 (Monday to Friday), at a total of 42.5 hours per week, which meets the local law requirement of 44 hours per week. Overtime per day (Monday to Friday) is 1.5 hours, also meeting the local requirement of not working more than 12 hours per day (regular plus overtime hours). Overtime on Saturday is 7 hours, while there is no limit on overtime hours per week in local law. Thus, their total overtime hours per week (1.5 hour x 5 days = 7.5 hours, plus 7 hours on Saturday) equals 14.5 hours per week, exceeding 12 hour code requirement by FLA.

**Plan Of Action:** 1. Overtime hours worked have been controlled and reduced to 12 hours a week since February 1, 2010. The production team has recalculated the workload based on normal working hours and implemented an operation review to determine causes for excessive overtime. As a result, factory management is instituting control of overtime limits through effective planning and coordination among production section.

2. Overtime work will be proposed by supervisor and approved by management in advance. All the supervisors are aware of the FLA requirement now and thus will schedule overtime work accordingly.

**Deadline** 03/19/2010  
**Date:**

<b>Action</b>	<u>Updated by adidas Group on September 22, 2011:</u>
<b>Taken:</b>	<p>Completed. Reviewed the working hour records of some selected workers (sewing, cutting, sample, and packing departments) for the last 3 months, i.e., June-August 2011, and found that total overtime hours were 11.5 hours a week at maximum. The average of overtime is 1.5 hours a day, 4 hours on Saturday. As a result, the total overtime from Monday - Friday is (5 days x 1.5 hours) + (1 day x 4 hour) = 11.5 hours. This proved that the factory has been able to meet FLA requirement for maximum overtime, i.e., 12 hours a week. Factory has revised the Working Hours Procedure so that it includes how to control and monitor the total working hours in a week. The Human Resources and Compliance Departments have communicated and coordinated with Planning and Production Department in order to ensure the implementation of the Working Hours Procedure.</p>
	<u>Updated by adidas Group on December 10, 2010:</u>
	<p>No Progress. Factory has had difficulty meeting FLA requirement of maximum overtime (12 hours within a week). However, factory has tried to reduce the working hours by adding 1 sewing line to meet production needs and overtime requirement at the same time, commencing from November 2010.</p>
	<u>Updated by adidas Group on September 22, 2010:</u>
	<p>Ongoing. Hours of work review of the last 3 months indicates that weekly overtime worked by factory continues to be 14.5 hours. According to the factory, it was difficult for them to work a maximum weekly overtime of 12 hours due to the production capacity. In addition, factory said that they have problems recruiting workers, since the government does not allow them to recruit many foreign workers and there are limited local people to hire. However, management promised to further discuss it with their planning department to see if there is any alternative way to improve this condition.</p>
<b>Plan</b>	Yes
<b>Complete:</b>	
<b>Plan</b>	09/22/2011
<b>Complete</b>	
<b>Date:</b>	

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